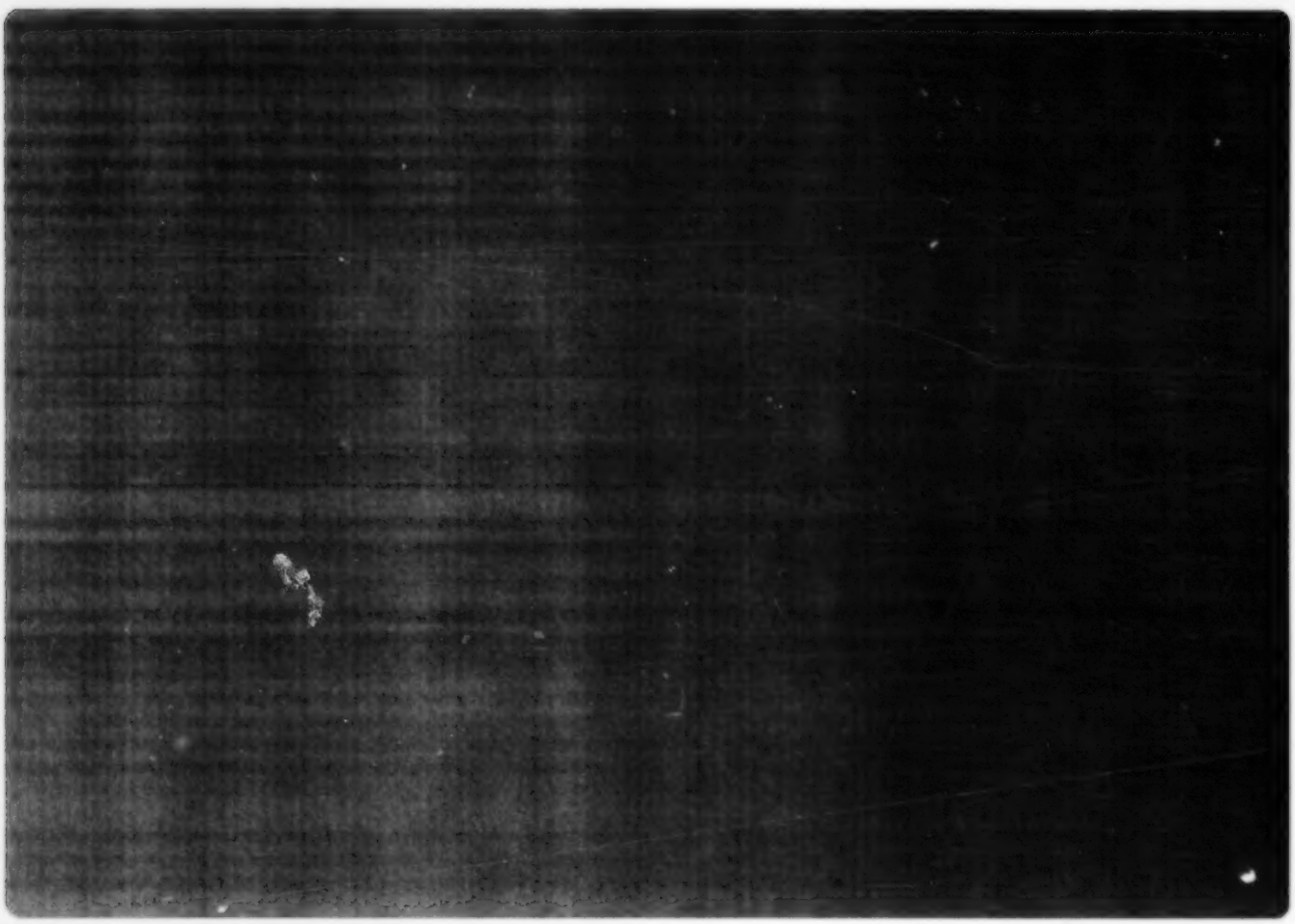
First quarter report

FOR THE THREE MONTHS ENDED MARCH 31, 2009



SaskPower
Powering the future

STRATEGIC DIRECTION

Vision

People, innovation and partnerships . . . powering Saskatchewan to a bright future.

Mission

Safe, reliable and sustainable power for our customers.

Values

Responsive, respectful, progressive and accountable in everything we say, do and offer.

Priorities

1. Proud and productive employees.
2. Loyal and satisfied customers.
3. Dependable and secure infrastructure.
4. Strong environmental stewardship and performance.
5. Prudent financial management and growth.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

	Three months ended March 31		
(in millions)	2009	2008	Change
Revenue	$ 382	$ 380	$ 12
Operating costs [1]	370	344	26
Operating income [1]	23	36	(14)
Net income	1	71	(70)
Dividends	-	16	(16)
Capital expenditures	106	62	44
Long-term debt	2,570	2,224	346
Operating return on equity [2]	0.6%	9.3%	-3.7%
Return on equity [3]	0.3%	18.6%	-18.3%
Per cent debt ratio [4]	61.0%	59.0%	2.0%

1. Operating costs and operating income are non-GAAP measures, whose nearest GAAP measures are total expense and net income respectively. Operating costs and operating income provides management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 10 for further discussion of these items.

2. Return on operating equity = (operating income)/(average equity), where average equity = [(equity advances + retained earnings – unrealized natural gas risk management activities at year-end) + (equity advances + retained earnings – unrealized natural gas risk management activities at previous year-end)/2].

3. Return on equity = (net income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)/2].

4. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + current portion of long-term debt – debt retirement funds – cash and cash equivalents).

Operating Statistics

	Three months ended March 31		
(GWh)	2009	2008	Change
Saskatchewan electricity sales	4,826	4,800	26
Exports	31	60	(29)
Total electricity sales	4,857	4,860	(3)
Gross electricity supplied	5,367	5,449	(82)
Line losses	(510)	(589)	79
Net electricity supplied	4,857	4,860	(3)
Electricity trading purchases	403	383	20
Line losses	(27)	(8)	(19)
Electricity trading sales	376	375	1
Generating capacity (net MW)	3,641	3,668	(27)
Peak load (net MW)	3,096	3,016	80
Customers	461,293	452,896	8,397

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

	Three months ended March 31		
(in millions)	**2009**	2008	Change
Revenue	**$ 392**	$ 380	$ 12
Operating costs [1]	**370**	344	26
Operating income [1]	**22**	36	(14)
Net income	**1**	71	(70)
Dividends	**-**	16	(16)
Capital expenditures	**106**	62	44
Long-term debt	**2,570**	2,224	346
Operating return on equity [2]	**5.6%**	9.3%	-3.7%
Return on equity [3]	**0.3%**	18.6%	-18.3%
Per cent debt ratio [4]	**61.0%**	59.0%	2.0%

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower, the Corporation). It should be read in conjunction with the SaskPower unaudited interim consolidated financial statements and supporting notes for the three months ended March 31, 2009. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) section 1751, "Interim Financial Statements." The SaskPower Audit and Finance Committee of the Board of Directors has approved the interim financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices, coal and hydro availability, weather, economic conditions, number of customers, and market conditions in other jurisdictions.

Financial Results

	Three months ended March 31		
(in millions)	**2009**	2008	Change
Revenue			
Saskatchewan electricity sales	**$ 373**	$ 365	$ 8
Exports	**3**	4	(1)
Net sales from electricity trading	**2**	-	2
Other revenue	**14**	11	3
Total revenue	**$ 392**	$ 380	$ 12
Operating costs			
Fuel and purchased power	**133**	138	(5)
Realized natural gas risk management activities	**13**	2	11
Operating, maintenance & administration	**119**	102	17
Depreciation, finance charges & taxes	**105**	102	3
Total operating costs [1]	**370**	344	26
Operating income [1]	**$ 22**	$ 36	$ (14)
Unrealized natural gas risk management activities	**(21)**	35	(56)
Net income	**$ 1**	$ 71	$ (70)

[1] Operating costs and operating income are non-GAAP measures, whose nearest GAAP measures are total expense and net income respectively. Operating costs and operating income provides management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 10 for further discussion of these items.

Highlights

Operating income was $22 million in the first three months of 2009 compared to $36 million during the same period of 2008. The decrease in operating income was the result of a $26 million increase in operating costs partially offset by a $12 million increase in revenue.

Total operating costs increased $26 million compared to the same period in 2008. This was largely due to a $17 million increase in operating, maintenance and administration costs as the result of an increase in the defined benefit pension plan expense and salaries and wages. Fuel and purchased power costs were down $5 million in the period as a result of a decline in natural gas prices. However this decline was offset by SaskPower's natural gas risk management activities which are designed to mitigate the impact of changes in the price of natural gas. Depreciation, finance charges and taxes increased a combined $3 million in the first three months of 2009 compared to the same period in 2008.

The $12 million improvement in revenue was largely attributable to an $8 million increase in Saskatchewan electricity sales due to higher electricity sales volumes. This was driven by significant increases in the residential, commercial and oilfield sectors. There were also increases in net sales from electricity trading and other revenue of $2 million.

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The $12 million improvement in revenue was largely attributable to an $8 million increase in Saskatchewan electricity sales due to higher electricity sales volumes. This was driven by significant increases in the residential, commercial and oilfield sectors. There were also increases in net sales from electricity trading and other revenue of $2 million

and $3 million respectively over the same period in 2008. The increase in these revenue sources was offset slightly by a $1 million decrease in export revenue.

The Corporation reported $21 million of unrealized market value losses on its natural gas risk management activities in the first three months of 2009 compared to a $35 million gain over the same period in 2008. The unrealized losses are the result of a decrease in the forward price of natural gas which reduces the market value of the outstanding hedges. Net income, including unrealized natural gas risk management activities, was $1 million in the first three months of 2009 compared to a $71 million net income during the same period in 2008.

Outlook

SaskPower's latest forecast calls for operating income of $84 million, an $8 million decrease from 2008. The decline is due in part to an increase operating expenses. The largest increase in expense is expected to be operating, maintenance and administration expense which will be up due to higher pension expense, increased costs for integrated carbon capture and sequestration (ICCS) research, higher wages and salaries and external services.

These increases in operating expenses are expected to be partially offset by an increase in Saskatchewan sales due to an anticipated 8.5% system-wide rate increase effective June 1, 2009. There is also expected to be an increase in other revenue due to an increase in ICCS grant revenue that will offset the additional research costs.
These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

SaskPower also expects to continue to make substantial investments in its infrastructure, totaling over $8 billion over the next 10 years. Capital expenditures in 2009 are forecast to be approximately $919 million. This includes costs for the installation of simple cycle natural gas turbines at Queen Elizabeth Power Station (105 MW); Ermine (94 MW) and a location near North Battleford (141 MW). It also includes costs to upgrade various transformers and transmission lines and connect new customers to SaskPower's grid.

Revenue

Saskatchewan electricity sales

(in millions)	Three months ended March 31 2009	2008	Change
Saskatchewan electricity sales	**$ 373**	$ 365	$ 8

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the Province. These sales are driven by general economic conditions, number of customers and weather.

Revenue from Saskatchewan sales for the three months ending March 31, 2009, were $373 million, up $8 million from the first three months of 2008. The rise in Saskatchewan sales was primarily due to higher electricity sales volumes. In the first three months of 2009, electric sales volumes to Saskatchewan customers were 4,826 GWh, up 26 GWh from the first quarter of 2008.

Exports

(in millions)	Three months ended March 31 2009	2008	Change
Exports	**$ 3**	$ 4	$ (1)

Exports include the sale of SaskPower's surplus generation to other regions in Canada and the United States. Export pricing is not subject to the rate review process and is priced by the external market. Export sales volumes are dependent on surplus SaskPower generation, market conditions in other jurisdictions and transmission availability.

Exports decreased from $4 million in the first quarter of 2008 to $3 million in the first quarter of 2009. This decrease in revenue was primarily due to lower sales volumes as a result of increased domestic load and transmission restrictions resulting from maintenance and availability. Export sales volumes decreased 29 GWh during the first three months of 2009, compared to the first three months of 2008. This decline in volumes was partially offset by an increase in the average export sales price which was approximately $97/MWh in the first three months of 2009. This compares to a price of approximately $73/MWh in the same period of 2008.

Net sales from electricity trading

(in millions)	Three months ended March 31 2009	2008	Change
Electricity trading revenue	**$ 28**	$ 28	$ -
Electricity trading costs	**(25)**	(26)	1
Electricity trading market value losses	**(1)**	(2)	1
Net sales from electricity trading	**$ 2**	$ -	$ 2

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other electricity-related commodities and derivatives from regions outside of Saskatchewan.

Electricity trading revenues were $28 million in the first quarter of 2009 unchanged from the first quarter of 2008. The gross margin, or net sales after deducting related electricity trading costs, was $2 million in the first three months of 2009 compared to nil in the first three months of 2008.

Other revenue

(in millions)	Three months ended March 31 2009	2008	Change
Other revenue	$ 14	$ 11	$ 3

Other revenue includes various non-electricity products and services. Other revenue was $14 million in the first quarter of 2009, up $3 million from the same period in 2008. This increase was primarily due to additional revenues received from rising gas and electrical inspection revenue; new grant revenue received from the Federal Government as funding for the integrated carbon capture and sequestration project; and improved equity investment income from the MRM Cogeneration Station.

Operating Costs

Fuel and purchased power

(in millions)	Three months ended March 31 2009	2008	Change
Fuel and purchased power	$ 133	$ 138	$ (5)

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, electricity purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have the lowest incremental cost per unit of generation. Hydro generation is dependent upon water levels at the Corporation's hydro facilities while coal generation is a product of the availability of the Corporation's coal plants. Wind generation – which represents SaskPower's lowest incremental cost of electricity – cannot be dispatched on a planned basis, as it is dependent upon wind conditions.

Total fuel and purchased power costs of $133 million in the first quarter of 2009, were down $5 million from the same period in 2008. The decrease in fuel and purchased power was largely due to a favourable change in the fuel mix variance and a decrease in the average fuel price.

The fuel and purchased power mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal, and wind, the more favourable the impact on fuel and purchased power costs. During the first three months of 2009, the Corporation's coal generation accounted for 58.7% of total generation compared to 56.3% from the same period during 2008. The increased coal generation replaced more expensive natural gas generation.

Average fuel prices were down in the first quarter of 2009 compared to the same period in 2008 largely as a result of lower natural gas prices. This decrease in average fuel prices was partially offset by an increase in coal prices as the result of an increase in various consumer price indexes that directly impact SaskPower's contracted coal price.

In addition to the favourable fuel mix and price variances, total generation was 5,367 GWh in the first three months of 2009, a decrease of 82 GWh compared to the same period in 2008.

Revenue

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In addition to the favourable fuel mix and price variances, total generation was 5,367 GWh in the first three months of 2009, a decrease of 82 GWh compared to the same period in 2008.

Realized natural gas risk management activities

(in millions)	Three months ended March 31 2009	2008	Change
Realized natural gas risk management activities	$ 13	$ 2	$ 11

Natural gas risk management activities represent the cash impact derived from the Corporation's natural gas hedging program. SaskPower's current natural gas hedging program seeks to hedge up to 50% of SaskPower's exposure to natural gas. This strategy is intended to mitigate our company's exposure to market prices and stabilize the fuel and purchased power budget. SaskPower's long-term natural gas risk management strategy addresses the security of natural gas supply, obtaining suitable market access to liquid markets and managing natural gas price risk.

In the first three months of 2009, approximately 4 million notional gigajoules (GJs) of hedges related to SaskPower's natural gas consumption settled resulting in $13 million in realized expense for the Corporation. The expense was due to falling natural gas prices that pushed the market price of natural gas below the Corporation's hedged rate. As a result, SaskPower made payment on these hedges for the difference between the market price of natural gas and the hedged rate.

Operating, maintenance and administration (OM&A)

(in millions)	Three months ended March 31 2009	2008	Change
OM&A	$ 119	$ 102	$ 17

OM&A expense was up $17 million in the first quarter of 2009, compared to the first quarter of 2008. This $17 million increase was due to an increase in the defined benefit pension plan expense as a result of significant losses on the Plan's assets in 2008. The Corporation also incurred increases in contractor costs and salaries and wages as a result of general economic increases and additional staff.

Depreciation

(in millions)	Three months ended March 31 2009	2008	Change
Depreciation	$ 57	$ 55	$ 2

Depreciation expense was $57 million in the first three months of 2009 compared to $55 million in the first three months of 2008. The rise in depreciation expense was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures.

Finance charges

(in millions)	Three months ended March 31 2009	2008	Change
Finance charges	$ 39	$ 38	$ 1

In the first quarter of 2009, finance charges were $39 million, an increase of $1 million compared to the first quarter of 2008. The increase in finance charges was due to a $4 million decline in debt retirement fund earnings in 2009 compared to 2008. This increase was partially offset by a $2 million decrease in interest expense as a result of the refinancing of a portion of SaskPower's long-term debt at more favourable interest rates. There was also a $1 million increase in the amount of interest capitalized in the first quarter of 2009.

Taxes

(in millions)	Three months ended March 31 2009	2008	Change
Taxes	$ 9	$ 9	$ -

Corporate capital tax, grants-in-lieu of taxes and other taxes were $9 million in the first quarter of 2009, unchanged from the first quarter of 2008.

Unrealized natural gas risk management activities

(in millions)	Three months ended March 31 2009	2008	Change
Natural gas hedges market value (losses) gains	$ (22)	$ 36	(58)
Natural gas hedges transitional market value gains (losses) reclassified to net income	1	(1)	2
Unrealized natural gas risk management activities	$ (21)	$ 35	$ (56)

The unrealized natural gas risk management activities represent the change in the market value of the Corporation's outstanding natural gas hedges during the period. As of March 31, 2009, SaskPower had outstanding hedges of approximately 29 million notional GJs to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the period of 2009 - 2012. The unrealized market value loss on these outstanding hedges was $22 million for the first three months of 2009. The losses are the result of the forward price of natural gas being lower than the hedged price. These unrealized losses are subject to significant volatility based on movements in the forward price of natural gas.

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(in millions)	Three months ended March 31 2009	2008	Change
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Financial Condition

The following chart outlines changes in the consolidated balance sheet from December 31, 2008, to March 31, 2009:

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents	$ 1	Refer to Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	(2)	Improved collection of current receivables.
Inventory	11	Increase in maintenance supplies.
Risk management assets	1	Improved market value of electricity trading contracts.
Property, plant and equipment (net)	41	Capital additions offset by depreciation expense and asset retirements.
Debt retirement funds	8	Installments and earnings net of market value adjustments.
Other assets	(8)	Lower defined benefit pension asset and prepaid expenses relating to long-term coal supply agreements.
Accounts payable and accrued liabilities	17	Increase in new generation projects.
Accrued interest	(19)	Timing of interest payments.
Risk management liabilities	24	Decline in the forward price of natural gas.
Short-term advance	40	Increase in use of short-term borrowings.
Dividends payable	(8)	No dividends payable in 2009.
Long-term debt (including current portion)	(1)	Debt repayments.
Other liabilities	1	Increase in asset retirement obligation.
Equity	-	

Liquidity and Capital Resources

Cash position

(in millions)	Three months ended March 31 2009	2008	Change
Cash and cash equivalents	$ 7	$ 10	$ (3)

The Corporation's cash position was $7 million as at March 31, 2009, down $3 million from March 31, 2008. However, the cash position increased $1 million from $6 million as at December 31, 2008. The $1 million increase was the result of $73 million provided by operating activities and $25 million provided by financing activities, partially offset by $97 million used in investing activities.

a) Operating activities

(in millions)	Three months ended March 31 2009	2008	Change
Net income net of non-cash items	$ 85	$ 88	$ (3)
Net change in non-cash working capital	(12)	(20)	8
Cash provided by operating activities	$ 73	$ 68	$ 5

Despite a $70 million decrease in net income, operating cash flow was up $5 million in the first three months of 2009 compared to the same period in 2008. The improvement in operating cash flow was largely due to improved revenues in the first quarter of 2009 over 2008. The increase in expenses during the first quarter of 2009 were largely non-cash including a $6 million increase in the defined benefit pension plan expense and a $58 million increase in unrealized market value losses on financial instruments.

b) Investing activities

(in millions)	Three months ended March 31 2009	2008	Change
Generation	$ 71	$ 27	$ 44
Transmission & Distribution	28	31	(3)
Other	7	4	3
Total capital expenditures	$ 106	$ 62	$ 44
Customer contributions and net costs of removal	(9)	(4)	(5)
Equity investment distributions	-	(1)	1
Cash used in investing activities	$ 97	$ 57	$ 40

SaskPower invested $106 million in the first three months of 2009 on various capital projects. This includes $15 million to connect customers to the SaskPower electric system; $21 million spent on the Ermine simple cycle gas turbine project; and $38 million spent on gas turbines at the Queen Elizabeth Power Station.

Total customer contributions, net of costs of removal, were $9 million in the first three months of 2009, up $5 million from the same period in 2008. Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The cost of removal represents the cash paid or received upon normal disposal of an asset.

In the first three months of 2009, equity distributions received from the MRM Cogeneration Station were nil compared to $1 million in the same period in 2008.

Financial Condition

The following chart outlines changes in the consolidated balance sheet from December 31, 2008, to March 31, 2009.

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents	$ 1	Refer to Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	(2)	Improved collection of current receivables.
Inventory	11	Increase in maintenance supplies.
Risk management assets	1	Improved market value of electricity trading contracts.
Property, plant and equipment (net)	41	Capital additions offset by depreciation expense and asset retirements.
Debt retirement funds	8	Installments and earnings net of market value adjustments.
Other assets	(6)	Lower defined benefit pension asset and prepaid expenses relating to long-term coal supply agreements.
Accounts payable and accrued liabilities	17	Increase in new generation projects.
Accrued interest	(19)	Timing of interest payments.
Risk management liabilities	24	Decline in the forward price of natural gas.
Short-term advance	40	Increase in use of short-term borrowings.
Dividends payable	(8)	No dividends payable in 2009.
Long-term debt (including current portion)	(1)	Debt repayments.
Other liabilities	1	Increase in asset retirement obligation.
Equity	-	

Liquidity and Capital Resources

Cash position

(in millions)	Three months ended March 31 2009	2008	Change
Cash and cash equivalents	**$ 7**	$ 10	$ (3)

The Corporation's cash position was $7 million as at March 31, 2009, down $3 million from March 31, 2008. However, the cash position increased $1 million from $6 million as at December 31, 2008. The $1 million increase was the result of $73 million provided by operating activities and $25 million provided by financing activities, partially offset by $97 million used in investing activities.

a) Operating activities

(in millions)	Three months ended March 31 2009	2008	Change
Net income net of non-cash items	**$ 85**	$ 88	$ (3)
Net change in non-cash working capital	**(12)**	(20)	8
Cash provided by operating activities	**$ 73**	$ 68	$ 5

Despite a $70 million decrease in net income, operating cash flow was up $5 million in the first three months of 2009 compared to the same period in 2008. The improvement in operating cash flow was largely due to improved revenues in the first quarter of 2009 over 2008. The increase in expenses during the first quarter of 2009 were largely non-cash including a $6 million increase in the defined benefit pension plan expense and a $58 million increase in unrealized market value losses on financial instruments.

b) Investing activities

(in millions)	Three months ended March 31 2009	2008	Change
Generation	**$ 71**	$ 27	$ 44
Transmission & Distribution	**28**	31	(3)
Other	**7**	4	3
Total capital expenditures	**$ 106**	$ 62	$ 44
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In the first three months of 2009, equity distributions received from the MRM Cogeneration Station were nil compared to $1 million in the same period in 2008.

c) Financing activities

(in millions)	Three months ended March 31 2009	2008	Change
Net proceeds from new borrowings	39	(104)	143
Net debt retirement fund (installments) redemptions	(6)	50	(56)
Dividends paid	(8)	(31)	23
Cash provided by (used in) financing activities	**$ 25**	**$ (85)**	**$ 110**

In the first three months of 2009, $25 million of cash was provided by financing activities, compared to $85 million of cash used in financing activities in the first three months of 2008. The $25 million in cash proceeds was made up of $39 million in net new borrowings offset by $6 million in debt retirement fund installments and $8 million in dividend payments.

Debt/short-term advances

(in millions)

As at	March 31 2009	December 31 2008	Change
Gross long-term debt	$ 2,577	$ 2,578	$ (1)
Less: current portion of long-term debt	(7)	(7)	-
Total long-term debt	2,570	2,571	(1)
Short-term advance	$ 40	$ -	$ 40
Per cent debt ratio[1]	61.0%	60.7%	(0.3%)

[1] Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term debt+ short-term advances + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings).

SaskPower's gross long-term debt position was $2,577 million at March 31, 2009, down $1 million from December 31, 2008. The decrease in gross debt was the result of the repayment of $1 million of non-recourse debt. The Corporation also added $40 million of short-term financing during the quarter.

The Corporation's per cent debt ratio has risen slightly from 60.7% at the end of 2008 to 61.0% as at March 31, 2009.

Debt retirement funds installments/redemptions

(in millions)	March 31 2009	December 31 2008	Change
Debt retirement fund installments	$ (6)	$ (24)	$ 18
Debt retirement fund redemptions	-	59	(59)
	$ (6)	$ 35	$ (41)

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan.

The Corporation made $6 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Province of Saskatchewan.

SaskPower also earned $2 million, net of market value adjustments (classified as non-cash operating activities), on the debt retirement funds for the period.

Dividends

SaskPower traditionally pays dividends to CIC based on the CIC Dividend Policy. Dividends are paid quarterly, with a one-quarter lag to allow for the financial statements to be audited before the annual dividend is finalized. CIC has determined that SaskPower will not be required to pay dividends in 2009 due to the extensive capital requirements of the Corporation.

In the first three months of 2009, SaskPower paid $8 million in dividends to CIC. This represents the dividend payable for the fourth quarter of 2008.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The CICA is currently deliberating the definition of publicly accountable enterprises as it applies to government entities including SaskPower and its subsidiaries. At this time the final outcome of these deliberations is not determinable and therefore the need for SaskPower and its subsidiaries to adopt IFRS has not been firmly established. However, given the considerable effort required to prepare for the adoption of IFRS within the communicated timelines, the Corporation is proceeding under the assumption that adoption of IFRS will be required.

SaskPower has commenced its IFRS conversion project and developed a high level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. At this time, the impact on SaskPower's future financial position and result of operations is not reasonably determinable or estimated. However based on the analysis to date, the most significant areas of difference are related to the accounting for property, plant and equipment; power purchase agreements; asset retirement obligations; joint ventures; employee future benefits; and financial statement disclosure.

SaskPower has plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Non-GAAP Measures

The Corporation evaluates its performance using a variety of measures. Operating costs and operating income are non-GAAP measures which are not defined under GAAP. These measures should not be considered in isolation or as an alterative to or more meaningful than, total expense or net income and long-term debt as determined in accordance with GAAP as an indicator of SaskPower's financial performance. These measures are not necessarily comparable to a similarly titled measure of another company.

c) Financing activities

(in millions)	Three months ended March 31 **2009**	2008	Change
Net proceeds from new borrowings	**39**	(104)	143
Net debt retirement fund (installments) redemptions	**(6)**	50	(56)
Dividends paid	**(8)**	(31)	23
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(in millions)

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Gross long-term debt	**$ 2,577**	$ 2,578	$ (1)
Less: current portion of long-term debt	**(7)**	(7)	-
Total long-term debt	**2,570**	2,571	(1)
Short-term advance	**$ 40**	$ -	$ 40
Per cent debt ratio[1]	**61.0%**	60.7%	(0.3%)

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Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended March 31 2009	2008
Revenue		
Saskatchewan electricity sales	$ 373	$ 365
Exports	3	4
Net sales from electricity trading (Note 4)	2	-
Other revenue	14	11
Total revenue	392	380
Expense		
Fuel and purchased power	133	138
Natural gas risk management activities:		
Realized	13	2
Unrealized	21	(35)
Operating, maintenance and administration	119	102
Depreciation	57	55
Finance charges (Note 5)	39	38
Taxes	9	9
Total expense	391	309
Net income	1	71
Retained earnings, beginning of period	870	853
Dividends	-	(16)
Retained earnings, end of period	$ 871	$ 908

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at	(Unaudited) March 31 2009	(Audited *) December 31 2008
Assets		
Current assets		
Cash and cash equivalents	$ 7	$ 6
Accounts receivable and unbilled revenue	178	180
Inventory	158	147
Risk management assets (Note 8)	3	2
	346	335
Property, plant and equipment		
Property, plant and equipment	6,949	6,930
Less: accumulated depreciation	3,269	3,215
	3,679	3,715
Construction in progress	263	186
	3,942	3,901
Debt retirement funds	220	212
Other assets	66	72
Total assets	$ 4,574	$ 4,520
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 185	$ 168
Accrued interest	29	48
Risk management liabilities (Note 8)	63	39
Short-term advance (Note 6)	40	-
Current portion of long-term debt	7	7
Dividends payable	-	8
	324	270
Long-term debt (Note 7)	2,570	2,571
Other liabilities	151	150
Total liabilities	3,045	2,991
Equity		
Retained earnings	871	870
Accumulated other comprehensive loss	(2)	(1)
	869	869
Equity advances	660	660
Total equity	1,529	1,529
Total liabilities and equity	$ 4,574	$ 4,520

Commitments and contingencies (Note 10)

See accompanying notes

* *As presented in the audited December 31, 2008, consolidated statement of financial position*

Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended March 31 2009	2008
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Consolidated Statement of Financial Position

(in millions)

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Total equity	1,529	1,529
Total liabilities and equity	$ 4,574	$ 4,520

Commitments and contingencies (Note 10)

See accompanying notes

** As presented in the audited December 31, 2008, consolidated statement of financial position*

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended March 31 2009	2008
Net income	$ 1	$ 71
Other comprehensive loss:		
Net gains on natural gas hedges in prior periods reclassified to net income in the current period	(1)	(1)
Other comprehensive loss	(1)	(1)
Total comprehensive income	$	$ 70

Consolidated Statement of Accumulated Other Comprehensive (Loss) Income

(in millions)	(Unaudited) Three months ended March 31 2009	2008
Accumulated other comprehensive (loss) income, beginning of period	$ (1)	$ 2
Other comprehensive loss	(1)	(1)
Accumulated other comprehensive (loss) income, end of period	$ (2)	$ 1

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended March 31 2009	2008
Operating activities		
Net income	$ 1	$ 71
Add (deduct) items not involving cash:		
Depreciation	57	55
Natural gas hedges market value losses (gains)	22	(36)
Natural gas hedges transitional market value (losses) gains reclassified to net income	(1)	1
Electricity trading market value losses	1	2
Debt retirement fund earnings	(3)	(4)
Debt retirement fund market value losses (gains)	1	(2)
Defined benefit pension plan expense	9	3
Equity investment income	(2)	(2)
	84	88
Net change in non-cash working capital	(12)	(20)
Cash provided by operating activities	73	68
Investing activities		
Property, plant and equipment	(104)	(61)
Interest capitalized	(2)	(1)
Customer contributions and net costs of removal	9	4
Equity investment distributions	-	1
Cash used in investing activities	(97)	(57)
(Decrease) increase in cash before financing activities	(24)	11
Financing activities		
Repayment of long-term debt	-	(268)
Proceeds from short-term advance	40	165
Repayment of non-recourse debt	(1)	(1)
Debt retirement fund installments	(6)	(9)
Debt retirement fund redemptions	-	59
Dividends paid	(8)	(31)
Cash provided by (used in) financing activities	25	(85)
Increase (decrease) in cash	1	(74)
Cash and cash equivalents, beginning of period	6	84
Cash and cash equivalents, end of period	$ 7	$ 10

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended March 31 2009	2008
Net income	**$ 1**	$ 71
Other comprehensive loss:		
Net gains on natural gas hedges in prior periods reclassified to net income in the current period	**(1)**	(1)
Other comprehensive loss	**(1)**	(1)
Total comprehensive income	**$ -**	$ 70

Consolidated Statement of Accumulated Other Comprehensive (Loss) Income

(in millions)	(Unaudited) Three months ended March 31 2009	2008
Accumulated other comprehensive (loss) income, beginning of period	**$ (1)**	$ 2
Other comprehensive loss	**(1)**	(1)
Accumulated other comprehensive (loss) income, end of period	**$ (2)**	$ 1

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended March 31 2009	2008
Operating activities		
Net income	**$ 1**	$ 71
Add (deduct) items not involving cash:		
Depreciation	**57**	55
Natural gas hedges market value losses (gains)	**22**	(36)
Natural gas hedges transitional market value (losses) gains reclassified to net income	**(1)**	1
Electricity trading market value losses	**1**	2
Debt retirement fund earnings	**(3)**	(4)
Debt retirement fund market value losses (gains)	**1**	(2)
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Repayment of long-term debt	**-**	(268)
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Repayment of non-recourse debt	**(1)**	(1)
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Dividends paid	**(8)**	(31)
Cash provided by (used in) financing activities	**25**	(85)
Increase (decrease) in cash	**1**	(74)
Cash and cash equivalents, beginning of period	**6**	84
Cash and cash equivalents, end of period	**$ 7**	$ 10

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2009

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of The Power Corporation Act.

By virtue of The Crown Corporations Act, 1993, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements (interim financial statements) do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal, with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates include electricity sales not yet billed; carrying amounts of property, plant and equipment, underlying estimates of useful lives and related depreciation; carrying amounts of asset retirement obligations and underlying estimates of future cash flows; the fair value of financial instruments; and carrying amounts of deferred pension costs and underlying actuarial assumptions. Actual results could differ from those estimates, which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2009

3. Dividend Policy

SaskPower traditionally pays dividends to CIC based on the CIC dividend policy. In 2009, CIC has determined that SaskPower will not be required to pay any dividends due to the extensive capital requirements of the Corporation.

4. Net Sales from Electricity Trading (in millions)

	Three months ended March 31	
	2009	2008
Electricity trading revenue	$ 28	$ 28
Electricity trading costs	(25)	(26)
Electricity trading market value losses	(1)	(2)
	$ 2	$ -

5. Finance Charges (in millions)

	Three months ended March 31	
	2009	2008
Interest on long-term debt	$ 43	$ 46
Interest capitalized	(2)	(1)
Debt retirement fund earnings	(3)	(4)
Debt retirement fund market value losses (gains)	1	(2)
Interest income	-	(1)
	$ 39	$ 38

6. Short-term Advance (in millions)

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount
March 31, 2009	April 6, 2009	0.500	Canadian Dollar	$ 40

The short-term advance is due to the Province of Saskatchewan's General Revenue Fund.

7. Long-term Debt (in millions)

In the first three months of 2008, the Corporation repaid $1 of non-recourse debt.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2009

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SaskPower traditionally pays dividends to CIC based on the CIC dividend policy. In 2009, CIC has determined that SaskPower will not be required to pay any dividends due to the extensive capital requirements of the Corporation.

4. Net Sales from Electricity Trading (in millions)

	Three months ended March 31	
	2009	2008
Electricity trading revenue	**$ 28**	$ 28
Electricity trading costs	**(25)**	(26)
Electricity trading market value losses	**(1)**	(2)
	$ 2	$ -

5. Finance Charges (in millions)

	Three months ended March 31	
	2009	2008
Interest on long-term debt	**$ 43**	$ 46
Interest capitalized	**(2)**	(1)
Debt retirement fund earnings	**(3)**	(4)
Debt retirement fund market value losses (gains)	**1**	(2)
Interest income	**-**	(1)
	$ 39	$ 38

6. Short-term Advance (in millions)

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount
March 31, 2009	April 6, 2009	0.500	Canadian Dollar	$ 40

The short-term advance is due to the Province of Saskatchewan's General Revenue Fund.

7. Long-term Debt (in millions)

In the first three months of 2008, the Corporation repaid $1 of non-recourse debt.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2009

8. Financial Instruments (in millions)

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		March 31, 2009		December 31, 2008	
		Asset (liability)		Asset (liability)	
Financial instruments	**Classification[4]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	HFT[1]	$ 7	$ 7	$ 6	$ 6
Accounts receivable and unbilled revenue	L&R[2]	178	178	180	180
Debt retirement funds	HFT[1]	220	220	212	212
Other assets - investment	HFT[1]	2	2	2	2
Financial liabilities					
Accounts payable and accrued liabilities	OL[3]	$ (185)	$ (185)	$ (168)	$ (168)
Accrued interest	OL[3]	(29)	(29)	(48)	(48)
Short-term advance	OL[3]	(40)	(40)	-	-
Dividends payable	OL[3]	-	-	(8)	(8)
Recourse debt	OL[3]	(2,496)	(2,945)	(2,496)	(2,992)
Non-recourse debt	OL[3]	(81)	(88)	(82)	(89)

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as at March 31, 2009 as either held-to-maturity or available-for-sale.

Fair values are determined as follows:

(a) Debt retirement funds are valued at the closing period-end unit prices received from the Saskatchewan Ministry of Finance;
(b) Investment is valued using an internal valuation model, based on management's assumptions;
(c) Long-term debt instruments are valued at period-end market prices for the underlying debt issues or, when unavailable, for similar instruments; and
(d) Other financial instruments – including cash and cash equivalents; accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest; short-term advance and dividends payable – approximate fair value due to the short period to maturity.

Derivative financial instruments

The following summarizes the market value gains and losses on the Corporation's risk management activities:

		March 31, 2009		December 31, 2008		Three months ended March 31, 2009
	Classification	Asset	Liability	Asset	Liability	market gains (losses)
Natural gas contracts						
Two-way collars	HFT[1]	$ -	$ (4)	$ 1	$ (3)	$ (2)
Fixed price swap instruments	HFT[1]	2	(57)	1	(36)	(20)
Electricity trading contracts						
Contracts for differences	HFT[1]	1	(2)	-	-	(1)
Forward agreements	HFT[1]	-	-	-	-	-
		$ 3	$ (63)	$ 2	$ (39)	$ (23)

1. HFT – held-for-trading.

Fair values are determined as follows:

(a) Natural gas derivative option instruments (i.e. collars) are valued based on estimates provided by the financial counterparties;

(b) Natural gas swap instruments are valued using an internal pricing model that uses market data, including average forward monthly natural gas prices obtained from financial counterparties; and

(c) Electricity trading derivatives, including contracts for differences and forward agreements are valued at period-end market prices.

9. Financial Risk Management (in millions)

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates, and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. The only risks that are substantially different from reported in the 2008 Annual Report are the following:

Market risk

Natural gas contracts

The Corporation is exposed to natural gas price risk through gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at March 31, 2009, the Corporation had entered into financial natural gas contracts to hedge approximately 45% of its forecasted natural gas purchases for 2009, 22% for 2010, 14% for 2011 and 4% for 2012.

Based on the Corporation's March 31, 2009 closing positions on its natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $25 decrease in the unrealized market value losses recognized in net income for the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at March 31, 2009.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2009

10. Commitments and Contingencies (in millions)

(a) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleges the Corporation has inappropriately ceased making contributions to the PCSP; incorrectly offered employees early retirement with unreduced pensions; and did not provide sufficient information to allow employees to make an informed decision regarding the choice to either stay within the PCSP or move into the Public Employees Pension Plan.

Since 1996, various legal proceedings have taken place to properly define the claim. A pre-trial conference took place on dates in the second and fourth quarters of 2008. The trial is expected to take place in 2009. It is the Corporation's position that the final outcome from the claim is not determinable. As such, no provision has been set up to cover any potential settlement or adverse disposition.

(b) SaskPower has various other legal matters pending, which in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

11. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current period financial statement presentation.

SYSTEM MAP

As at December 31, 2008

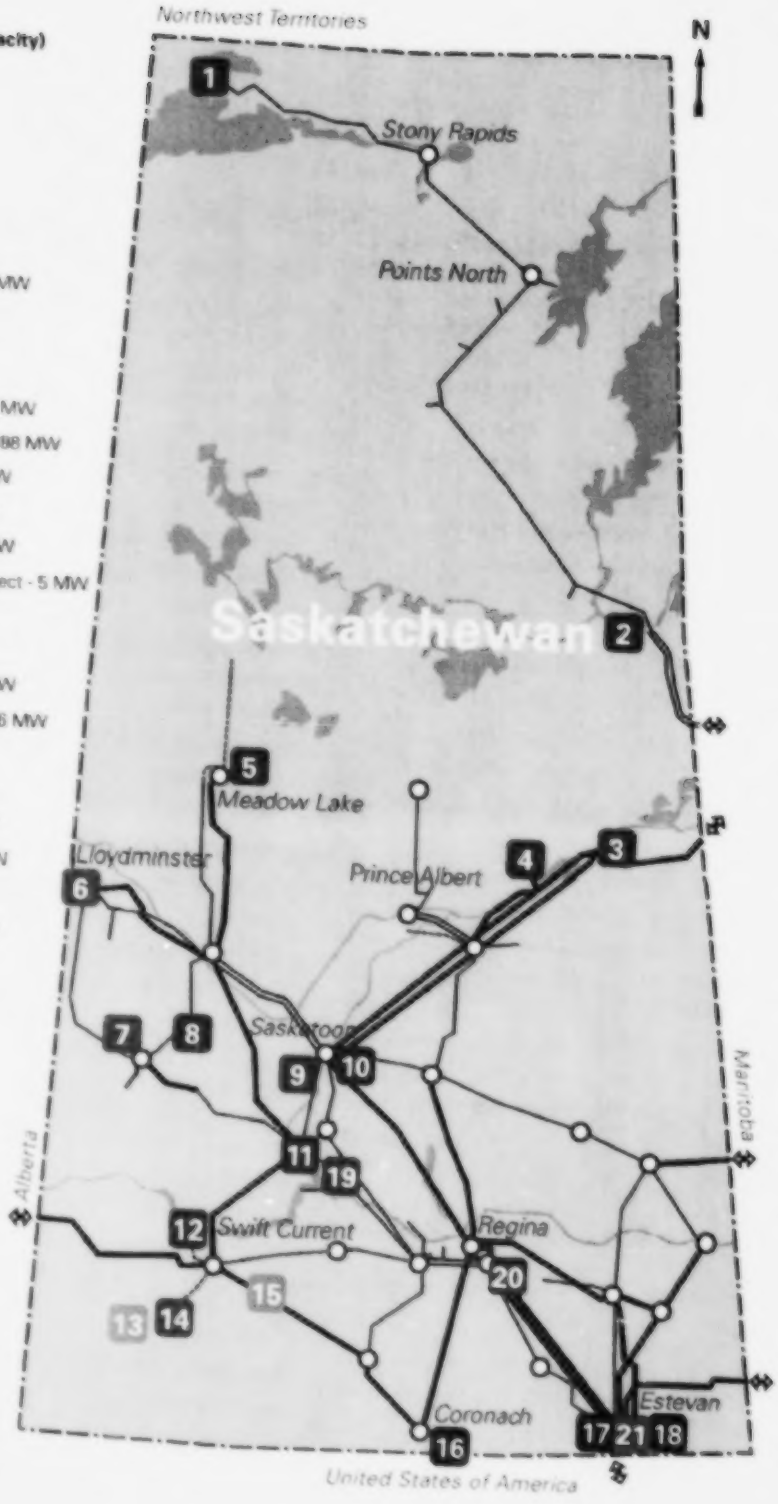
AVAILABLE GENERATION (net capacity)

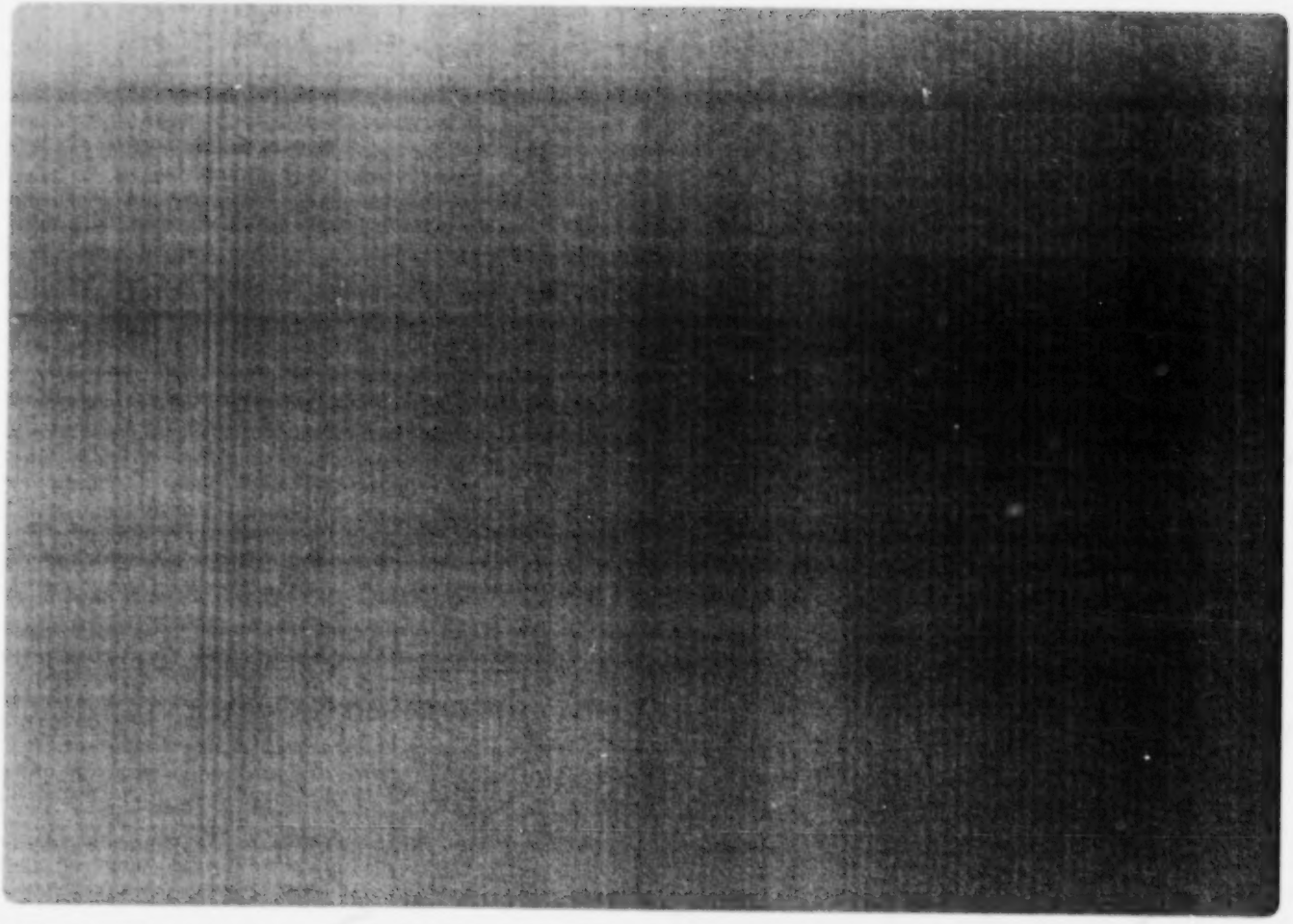
- Hydroelectric
- Natural gas
- Wind
- Coal
- Independent Power Producer

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 102 MW
3. E.B. Campbell Hydroelectric Station - 288 MW
4. Nipawin Hydroelectric Station - 255 MW
5. Meadow Lake Power Station - 44 MW
6. Meridian Cogeneration Station - 210 MW
7. NRGreen Kerrobert Heat Recovery Project - 5 MW
8. Landis Power Station - 79 MW
9. Cory Cogeneration Station - 228 MW
10. Queen Elizabeth Power Station - 322 MW
11. Coteau Creek Hydroelectric Station - 186 MW
12. Success Power Station - 30 MW
13. Cypress Wind Power Facility - 11 MW
14. SunBridge Wind Power Project - 11 MW
15. Centennial Wind Power Facility - 150 MW
16. Poplar River Power Station - 582 MW
17. Boundary Dam Power Station - 824 MW
18. Shand Power Station - 276 MW
19. NRGreen Loreburn Heat Recovery Project - 5 MW
20. NRGreen Estlin Heat Recovery Project - 5 MW
21. NRGreen Alameda Heat Recovery Project - 5 MW

TRANSMISSION

- 230 kV
- 138 kV
- 138 kV line operating at 72 kV
- Switching station
- Interconnection





SaskPower
Powering the future

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